What is Outsourcing? Avoiding the Confusion

Ross Hutchison
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California, New York, Washington D.C.,
London, Paris, Tokyo

Primary Research Emphasis

Senior Executives Experienced in
Information Services

Forecast from Comprehensive Data Base

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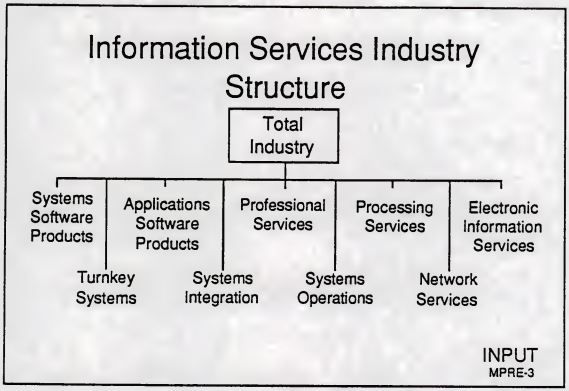
Notes



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Beyond Products: Service-Based Strategy

HBR March/April 1990

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Key Findings

- Value added from services
- Technology enhances services
- Services enable competitive differentiation

Source: HBR Article

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Recommendations

- Focus on core services
- Outsource other activities

Source: HBR Article

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Outsourcing

- Outsource non-competitive activities
- Outsourcing builds flexibility
- Outsourcing allows focus

Source: HBR Article

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Outsourcing is the contracting of information systems (IS) functions to external vendors.

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"Outsourcing" vs. Buying Services

1980s: Services achieved recognition

1990s: Overcome prejudice against buying management services

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"Outsourcing" vs. Buying Services

- Greater commitment on part of buyer
- "Partnership"
- Responsibility/risk for vendors

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Evolution of Outsourcing

Type of Product or Service	1970s		1990s
Applications Software	Applications Packages	→	Applications Management
Professional Services	Consulting Contract Prog	→	Systems Integration
Processing Services	Specific Proc Serv	→	Systems Operations

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Outsourcing in the 1990s What is Different

- Size and length of commitment
- Breadth of responsibility assumed by vendor
- Partnership versus supplier/subcontractor

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Outsourcing in the 1990s
What is Different

- Complexity of IT solutions
- Professional services component
- Systems management

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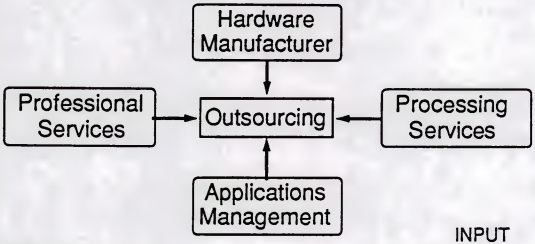
Vendor Orientation to Outsourcing



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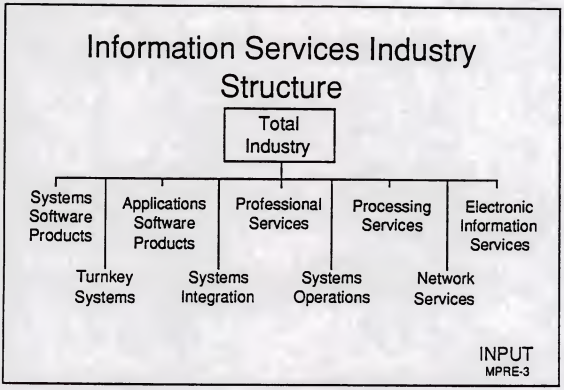

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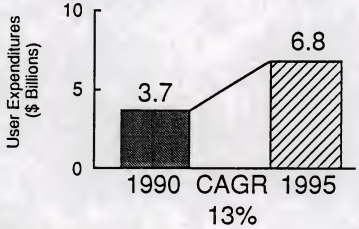
Canadian Information Services Market, 1990-1995



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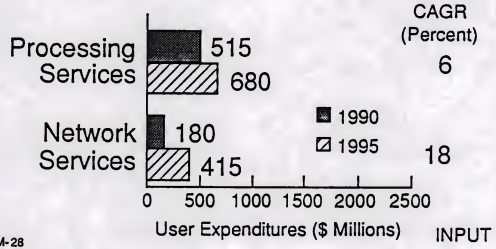
Canadian Information Services Market, 1990-1995



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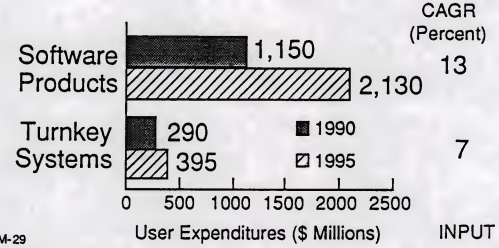
Canadian Information Services Market, 1990-1995



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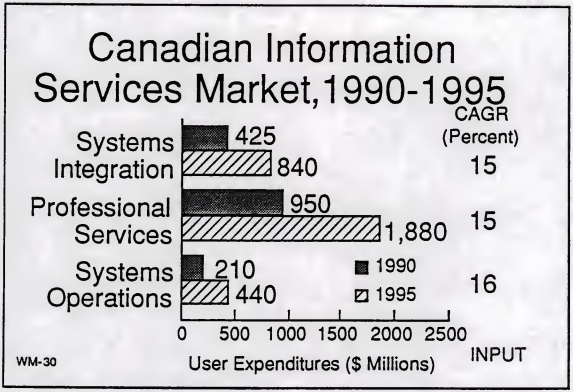

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Canadian Market
Key Technology Trends

- Productivity tools growth
- Continued downsizing
- More technology integration

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Canadian Market
Key Technology Issues

- Benefits not visable
- Loss of control due to rapid penetration
- Business/technology linkage needed

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Canadian Information Services Market Driving Forces

- Cost-effective solution
- Company growth
- Excellence requirement
- Staff reductions
- Growing competition

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Canadian Information Services Market Inhibiting Factors

- Recessionary economy
- In-house preference
- Computing disillusionment
- Lower IS priority

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